

Message Text

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ORIGIN STR-04

INFO OCT-01 IO-11 ISO-00 STRE-00 EB-07 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

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FM SECSTATE WASHDC

TO USDEL MTN GENEVA IMMEDIATE

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E.O. 11652:N/A

TAGS:ETRD, MTN

SUBJECT:TROPICAL PRODUCTS

1. FOLLOWING PAPER DISTRIBUTED AT TPRG, JANUARY 15:

2. WE ARE PLANNING TO TABLE INITIAL OFFERS ON MARCH 1
IN RESPONSE TO THE REQUEST LISTS WE HAVE RECEIVED FROM
DEVELOPING COUNTRIES. AT THE SAME TIME, WE WILL INDICATE
THE CONCESSIONS EXPECTED FROM DEVELOPING COUNTRIES. WE
EXPECT TO COMPLETE BY JANUARY 15 OUR PRELIMINARY SUBSTAN-
TIVE RESPONSES TO THE DEVELOPING COUNTRIES.

3. IN ORDER TO DEVELOP BOTH OUR OFFERS AND REQUESTS, CON-
SULTATIONS WITH THE MOST INVOLVED ISACS ARE TAKING PLACE,
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E.G., LUMBER, LEATHER, FOOD AND KINDRED PRODUCTS. IN THE

SECOND PART OF FEBRUARY, CONSULTATIONS WITH ALL ISACS WILL OCCUR. WE ARE ARRANGING A SIMILAR SCHEDULE WITH THE ATACS.

4. COVERAGE OF OFFER. OF THE 600 ITEMS ON THE DEVELOPING COUNTRY REQUEST LIST, WE HAVE INDICATED THAT WE WILL PROBABLY BE ABLE TO NEGOTIATE ON ABOUT 100 OF THEM, VALUED AT ABOUT \$1 BILLION, IN THE TROPICAL PRODUCTS GROUP. WE ARE WORKING

TO INCREASE THIS LIST TO ABOUT \$1.5 BILLION. NEW PRODUCTS WHICH MAY BE ADDED TO CATEGORY 1 ARE MOSTLY ALL TROPICAL, WHICH WERE NOT ON THE ORIGINAL CATEGORY 1 LIST FOR VARIOUS REASONS, E.G., CHOCOLATE (FEAR OF NO RECIPROCITY FROM MEXICO), COPRA MEAT (PART OF THE PHILIPPINE BILATERAL), JUTE SISAL TEXTILES (REQUIRED FURTHER STUDY).

5. WE ARE ALSO TRYING TO ADD TO PRODUCT COVERAGE THROUGH IMPROVED SEASONAL BREAKOUTS FOR A LIMITED NUMBER OF FRUITS AND VEGETABLES. THE SEASONAL BREAKOUT WILL ALLOW FOR SHIPMENT OF PRODUCTS FROM TROPICAL CLIMATES AND WILL NOT REPEAT NOT COMPETE SIGNIFICANTLY WITH TEMPERATE AMERICAN AGRICULTURE. PRODUCTS ON THESE LISTS INCLUDE WATERMELONS, CANTALOUPE, PAPAYAS, AND MANGOES. FOR BASKET CATEGORIES SUCH AS ESSENTIAL OILS NOT ELSEWHERE SPECIFIED WE ARE TRYING TO ESTABLISH SPECIAL CATEGORIES OF INTEREST TO LDCS.

6. DEPTH OF CUT. THE DEPTH OF CUT TO BE PROPOSED MIGHT BE DETERMINED BY THE CONTRIBUTIONS OF THE LDCS. FOR EXAMPLE IF THE DEVELOPING COUNTRIES DO NOT OFFER COMPENSATION, WE MIGHT AGREE ONLY TO THE FIRST STAGE OF A DUTY REDUCTION. THE TRADE ACT UNDER THE STAGING POSITION ALLOWS NO CUT GREATER THAN 3 PERCENT OR 10 PERCENT OF THE TOTAL DUTY TO BE IMPLEMENTED IN ANY ONE YEAR. IF CONCESSIONS ARE FORTHCOMING, WE CAN AGREE TO CUT UP TO THE FULL AUTHORITY. I BELIEVE TO BE PARTICULARLY ATTRACTIVE, WE MUST GO BEYOND THE TARIFF FORMULA. UNFORTUNATELY, BY MARCH 1 WE WILL NOT KNOW OUR TARIFF FORMULA YET. A POSSIBLE VARIANT OF THE ABOVE WOULD BE, THEREFORE, TO COMMIT OURSELVES TO GO BEYOND OUR PROPOSED FORMULA IN TROPICAL PRODUCTS PROVIDED CONTRIBUTIONS ARE FORTHCOMING. AS MARCH 1 IS AN INITIAL LIMITED OFFICIAL USE

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OFFER, WE CAN FILL IN EACH PERCENTAGE CUT LATER AFTER WE HAVE DETERMINED WHAT LDC CONTRIBUTIONS WILL BE FORTHCOMING AND OUR TARIFF FORMULA.

7. IMPLEMENTATION. THE LDCS WILL PUSH FOR EARLY IMPLEMENTATION OF THE TROPICAL PRODUCT PACKAGE. SOME OF THE PARTICIPANTS, PARTICULARLY THE EC FOR GSP CUTS, HAVE INDICATED THIS WOULD BE POSSIBLE. OTHERS SUCH AS THE JAPANESE

HAVE INDICATED THIS WOULD BE DIFFICULT.

8. OUR POSITION SHOULD BE ONE OF NO COMMENT UNTIL WE SEE THE TYPE OF CONTRIBUTIONS WE WILL RECEIVE FROM LDCS AND HAVE DISCUSSED IMPLEMENTATION DATA WITH THE SECTOR ADVISORY COMMITTEES. THE ONLY COUNTRIES FOR WHICH WE HAVE SPECIFIC INFO ON REQUESTS ARE THE EC AND CANADA. THE COMMISSION IS PROPOSING TO OFFER CONCESSIONS ON ABOUT \$2.0 BILLION

WORTH OF TRADE, ABOUT \$1.5 BILLION OF WHICH WOULD BENEFIT FROM MFN TARIFF CONCESSIONS. THE OFFER IS SAID TO INCLUDE TARIFF AND TAX CONCESSIONS ON GOODS SUCH AS COFFEE, TEA, BANANAS, SPICES AND COCOA. THE SINGLE MOST IMPORTANT MFN CONCESSION WOULD APPLY TO COFFEE (CURRENT TARIFF 7 PERCENT) WHICH ACCOUNTS FOR 800 MILLION UNITS OF ACCOUNT. THE DEPTH OF CUT ON COFFEE IS KNOWN TO EXCEED A 1 PERCENT TARIFF REDUCTION. GSP CONCESSIONS INCLUDE IMPROVEMENTS MADE IN THE CONTEXT OF THE 1976 SCHEME APPROVED BY THE COUNCIL IN NOVEMBER; INCREASES IN PREFERENTIAL TARIFF MARGINS FOR PRODUCTS ALREADY COVERED BY EC GSP; AND INTRODUCTION OF NEW PRODUCTS IN THE SCHEME. WE UNDERSTAND TOBACCO WILL BE INCLUDED.

9. SKETCHY DETAILS OF CANADIAN TROPICAL PRODUCT OFFER CONVEYED IN A BILATERAL DISCUSSION ARE AS FOLLOWS: MFN CONCESSIONS WILL BE OFFERED ON 22 PRODUCTS (TRADE VALUE APPROXIMATELY \$60 MILLION) AND IMPROVEMENT OF GSP (55 PRODUCTS). GSP IMPROVEMENTS INCLUDE ESTABLISHING DUTY-FREE GSP TREATMENT ON CONCENTRATED ORANGE JUICE AND SOME PINEAPPLE PRODUCTS. HOWEVER, THE MTN DELEGATION UNDERSTANDS THAT DUTY FOR CONCENTRATED ORANGE JUICE (5 PERCENT) IS CURRENTLY SUSPENDED. IT IS OUR UNDERSTANDING THAT SUSPENSION EXPIRES IN FEBRUARY.

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10. PLAN OF OTHER COUNTRIES. EXCEPT FOR AUSTRALIA, NO OTHER COUNTRY HAS INDICATED THAT IT WOULD PUSH FOR RECIPROCITY FROM DEVELOPING COUNTRIES. COMMERCE IS CONCERNED THAT IF WE ARE ISOLATED ON THIS ISSUE, IT WILL HURT OUR POSITION WITH THE LDCS. MY PRELIMINARY JUDGMENT IS THAT AS A RESULT OF TARIFF REDUCTIONS IN THE PAST AND THE RECENT IMPLEMENTATION OF OUR GSP SYSTEM, WE OFFER MORE ACCESS FOR TROPICAL PRODUCTS THAN OTHER COUNTRIES. THE CONCESSIONS WE ARE CONSIDERING ARE TO BE MORE GENEROUS THAN EITHER THE EC OR JAPANESE ONES. THEREFORE, WE ARE IN A BETTER POSITION TO ASK FOR CONCESSIONS THAN THE EC AND THE JAPANESE.

11. WE CAN DO LITTLE TO PREVENT OTHER COUNTRIES FROM

OFFERING GSP CONCESSIONS UNLESS THEY OFFER CONCESSIONS WHICH WILL DAMAGE OUR TRADE INTEREST. WE HAVE GATT RIGHTS IN THIS AREA AND SUGGEST WE RESORT TO THEM, IF APPROPRIATE. IF GSP IS OFFERED ON OTHER ITEMS, I SUGGEST WE ACCEPT THE SITUATION EMPHASIZING THE ADVANTAGE OF MFN CUTS.

12. FORMS OF CONCESSIONS FROM LDCS. COMMERCE AND USDA HAVE NOT COMPLETED THEIR COUNTRY ANALYSIS OF THE TYPES OF CONCESSIONS TO BE SOUGHT FROM LDCS. SUCH ANALYSIS WILL BE

COMPLETED BY THE MIDDLE OF FEBRUARY. IN THE MEANTIME, WE HAVE BEEN ANALYZING AVAILABLE DATA TO COME UP WITH SOME IDEAS. OUR INITIAL BELIEF IS AS FOLLOWS:

(A) MOST STATES IN ASIA ARE IN A POSITION TO GIVE US CERTAIN CONCESSIONS. REPLIES FROM OUR EMBASSIES HAVE INDICATED THAT INDONESIA, MALAYSIA, SINGAPORE AND PAKISTAN MAY BE ABLE TO GIVE US SPECIFIC CONCESSIONS.

(B) IN LATIN AMERICA, WE HAVE RECEIVED INDICATIONS THAT THE KEY COUNTRIES (BRAZIL, MEXICO) MAY BE RESPONSIVE TO OUR TRADE REQUESTS, BUT NOT IN THE CONTEXT OF TROPICAL PRODUCTS. I FORESEE THE POSSIBILITY OF BILATERAL DISCUSSIONS WITH THESE COUNTRIES. FOR EXAMPLE, MEXICO HAS INDICATED IT WOULD CONSIDER SPECIFIC MEASURES TO ALLEVIATE PROBLEMS CAUSED BY THE IMPORT SYSTEM. FOR BRAZIL, IT MIGHT LIMITED OFFICIAL USE

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BE WORTH TRYING TO WORK OUT SOLUTIONS TO THE LONG-RUNNING APPLE AND PEAR PROBLEM.

(C) SPECIFIC CONCESSIONS MIGHT BE SOUGHT FROM LDCS FOR SOME ITEMS ON WHICH WE ARE LIBERALIZING. THE LEATHER INDUSTRY HAS INDICATED THAT IT WOULD WANT SUPPLY ACCESS FROM INDIA IN EXCHANGE FOR U.S. CONCESSIONS ON GOAT AND SHEEPSKINS.

(D) WE COULD ACCEPT FROM THE LEAST DEVELOPED COUNTRIES, GENERAL COMMITMENTS FOR CONCESSIONS SUCH AS SIMPLIFICATION OF CUSTOMS REGULATIONS OR ELIMINATION OF CONSULAR FORMALITIES.

(E) WE COULD AGREE TO TARIFF BINDINGS ON PRODUCTS OF INTEREST TO US.

(F) WE COULD ACCEPT SPECIFIC SIMPLIFICATION OF CUSTOMS FORMALITIES.

13. SCENARIO

JANUARY 20 COMPLETE ANALYSIS OF LDC REQUEST LISTS
AND OUR CATEGORY 1 RESPONSES.

FEBRUARY 1-10 HOLD DETAILED CONSULTATIONS WITH DEVELOPED
COUNTRIES INCLUDING EC.

FEBRUARY 1-10 HOLD FURTHER CONSULTATIONS WITH LDCS IN
GENEVA TO CLARIFY SOMEWHAT OUR POSITION
ON CONCESSIONS WE ARE REQUESTING TO ALLAY
POSSIBILITY OF CONFRONTATION AT FEBRUARY
10 TROPICAL PRODUCTS MEETING.

FEBRUARY 10 MTN TROPICAL PRODUCTS GROUP MEETING.
EMPHASIZE CONTINUED BILATERAL APPROACH.

FEBRUARY 12 COMPLETE COMMERCE AND USDA COUNTRY ANALY-
SIS OF CONCESSIONS TO BE SOUGHT.

FEBRUARY 20-25 ISAC AND ATAC CONSULTATIONS, FOLLOWED BY
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IPAC AND APAC.

FEBRUARY 28-29 COMPILE ADVICE.

MARCH 1 TABLE INITIAL OFFERS. KISSINGER

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